

# FISCAL NOTE

**Bill #:** HB0594

**Title:** Remove elements that Land Board considers when setting grazing lease rates

**Primary Sponsor:** Small-Eastman, V

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2004 Difference</u></b>	<b><u>FY 2005 Difference</u></b>
<b>Expenditures:</b>		
General Fund	(\$9,011,713)	(\$9,319,311)
State Special Revenue	\$9,014,713	\$9,322,311
<b>Revenue:</b>		
State Special Revenue (02)	\$9,553,632	\$9,877,852
Capital Projects (05)	\$313,284	\$322,887
School Permanent Trust (09)	\$473,459	\$487,911
University Funds	\$478,896	\$493,620
<b>Net Impact on General Fund Balance:</b>	<b>\$9,011,713</b>	<b>\$9,319,311</b>

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|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact<br><input type="checkbox"/> Included in the Executive Budget<br><input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns<br><input checked="" type="checkbox"/> Significant Long-Term Impacts<br><input checked="" type="checkbox"/> Needs to be included in HB 2 |
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## Fiscal Analysis

### ASSUMPTIONS:

1. The average statewide private grazing rate from the Montana Agricultural Statistics Service for 2001 was \$14.90 per animal unit month (AUM). This rate would be applied to leases in FY 2004. The rate has increased an average of \$.30 a year over the last 10 years. Using this average, the estimated rate for FY 2005 would be \$15.20 per AUM.
2. There are approximately 1,100,000 AUMs on state land. FY 2002 distributable grazing revenues were approximately \$5.6 million. Under HB 594, total revenues would increase by \$10.8 million and \$11.1 million in FY2004 and FY2005, distributable grazing revenues would increase by \$10 million in FY 2004 and \$10.3 million in FY 2005.
3. All current grazing leases would continue at the new, higher rate and would be billed at the new rate beginning in FY 2004. There may be fewer leases due to the increase in lease rates, but that number is unknown.
4. Section 3, (2) would require the board establish "...the average rate for private grazing leases in the area of the leased tract...". While the Montana Agricultural Statistics Service has previously established a

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statewide average lease rate, there are no statistics for area rates nor is there a definition of 'area'. For a cost of approximately \$3,000/year (pending definition of 'area'), the Montana Agricultural Statistics Service anticipates they can collect the information annually.

5. Of the revenue generated, 3 percent would be deposited into the resource development account per 77-1-601, MCA.
6. The payment amounts that will be distributed to each beneficiary (public schools, youth correctional facility, university units, etc...) are based on a ratio from FY 2002 payments.
7. As additional revenue is deposited in the Education trust, additional interest will be earned. Additional interest is anticipated to be \$16,000 in FY 2004 and \$49,000 in FY 2005.
8. When additional Guarantee fund revenue is available, it is statutorily appropriated. This appropriation will reduce the amount of General fund required to fund schools.

**FISCAL IMPACT:**

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses (Dept. of Ag. Pgm 30)	\$3,000	\$3,000
<u>Funding of Expenditures:</u>		
General Fund	(\$9,011,713)	(\$9,319,311)
State Special (02) Guarantee Fund	9,011,713	9,319,311
State Special Revenue (02) Resource Dev	<u>3,000</u>	<u>3,000</u>
TOTAL	\$3,000	\$3,000
<u>Revenues:</u>		
State Special Revenue (02) Resource Dev	\$324,098	\$333,998
State Special (02) Guarantee Fund	9,011,713	9,319,311
School for the Deaf and Blind (02)	72,962	75,203
Dept. of Corrections Pine Hills (02)	133,564	137,725
Veterans Home (02)	11,295	11,615
Capital Projects (05)	313,284	322,887
Trust (09) Common School Permanent Fund	473,459	487,911
University Funds	<u>478,896</u>	<u>493,620</u>
TOTAL	\$10,819,271	\$11,133,270

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund	\$9,011,713	\$9,319,311
State Special Revenue (02) Resource Dev	\$321,098	\$330,998
State Special (02) Guarantee Fund	\$0	\$0
School for the Deaf and Blind (02)	\$72,962	\$75,203
Dept. of Corrections Pine Hills (02)	\$133,564	\$137,725
Veterans Home (02)	\$11,295	\$11,615
Capital Projects (05)	\$313,284	\$322,887
Trust (09) Common School Permanent Fund	\$473,459	\$487,911
University Funds	\$478,896	\$493,620

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LONG RANGE IMPACTS:

1. The trust beneficiaries would see a significant increase in revenues. DNRC would have increased monies available in the resource development account.
2. 5% of revenues retained in the Common School Permanent trust will grow by approximately \$480,000 per year. Interest on this trust is distributed to the guarantee fund for schools support.

TECHNICAL NOTES:

Currently, 95 per cent of grazing and agricultural leases are issued for a term of ten years. This legislation limits lease terms to five years only. If implemented in FY 2004, beginning in FY 2009 the number of leases expiring and subject to the renewal process would double. Section 77-6-101, MCA, requires inspection and appraisal of leases at least once during the lease term. This is typically done the year prior to expiration. Beginning in FY 2008, the DNRC would have double the number of leases to inspect. It is estimated that an additional 11.00 FTE would be needed at that time to complete the inspections and renew the leases.